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TO : The Under Secretary

THROUGH: S/S

FROM : U/OP - Landreth Harrison

SUBJECT: Berlin Aid - Minutes of OCB Meeting, November 30.

1. The item on Berlin aid in the OCB minutes of the meeting of November 30 (Tab A) has been withdrawn by ICA upon objection by EUR and this office that it did not conform to Mr. Murphy's record of what had taken place. (Tab A and Tab B)

a. The question of Berlin and East Zone aid was not introduced for general discussion at the OCB meeting; rather it was the subject of a luncheon conversation between Mr. Murphy and Mr. Hollister.

b. In particular, however, the last sentence of the minute was contrary to Mr. Murphy's understanding of the conversation. The subject of maximum aid was not considered. The luncheon discussion was confined to the need for the immediate release of \$10 million of Berlin and the East Zone programs.

c. EUR points out that establishment of a "maximum" for Berlin in the present situation does not seem appropriate, particularly in the light of rather specific NSC instructions, related language of the appropriation, and Congressional presentation statements. (Tab C)

2. Behind the intention of EUR to raise the question of Berlin aid in the OCB was the experience of a continued and time-consuming difference of view between ICA and EUR as to the types of expenditures and the extent to which the Secretary of State has responsibility for Berlin under NSC 5404 and the Mutual Security Act (Section 404). (Tab C). An early discussion of this issue between Mr. Hollister and Mr. Merchant or yourself is desirable.

Recommendation:

1. That, in the event the withdrawal of the minute is discussed in OCB, you agree to the withdrawal for the reasons stated.

2. That you invite Mr. Hollister at an early date to discuss with Mr. Merchant or yourself the appropriate nature and extent of Berlin and East Zone aid in the light of NSC 5404/1 and the Mutual Security Act.

EUR:GER:JBHolt/ea

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DEPARTMENT OF STATE

THE UNDER SECRETARY

TALUA

U/OP

December 2, 1955

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MEMORANDUM FOR: GER - Mr. Holt

From: U/OP - Landreth M. Harrison

SUBJECT: German Questions at OCB Meeting.

Supplementing our talk on the telephone, I am quoting below a formal minute of the discussion on November 30 in the OCB with regard to the German matters which your office initiated:

"Concurred in the approval of the Director of ICA of outgoing cable providing for the allotment, upon justification from the field, of \$5 million for the investment program in West Berlin (in addition to \$1 million for the conference hall already transferred) and \$5 million for special East German and East Berlin programs. Approval was given with the understanding that these sums represent the maximum allotment of FY 1956 funds to Berlin in the absence of deterioration of the situation in Berlin.

Mr. Murphy's notes on this item read as follows:

"Berlin and East Zone programs. The Department had recommended immediate approval of the \$10 millions already programmed and steps to transfer funds as well as endorsement of a request for new dollar aid for 1957. Mr. Hollister went along, although stating that he really did not understand the need for the expenditure under the heading of East Zone programs, but was willing to accept the Department's point of view. He said he was making an appropriate authorization."

There is attached hereto a memorandum addressed to the OCB Board Assistants by Wayne Jackson on the refugee matter.

Attachment

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Authority NND 377418
By AK NND 377418

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December 4, 1955

TAB B

MEMORANDUM

Subject: Berlin Aid

Mr. Holt - For action

Mrs. Dulles - For information

I checked with Mr. Murphy, who has no recollection of any discussion of a maximum and who certainly did not agree to any statement on the subject. (He said that Hollister made clear he was averse to the East Zone projects but deferred to the State Department's political judgment. He also made some remarks about the cost of the Conference Hall which Mr. Murphy could not follow and therefore did not comment on).

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JJR (J.J.Reinstein)

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Tab C

BERLIN-EAST ZONE PROGRAMS AND NSC POLICY

TAC 3

It is understood that the ICA reluctance to concur in GER proposals for the use of economic aid funds for certain programs and projects in Berlin and the Soviet Zone stems from a view that the appropriateness of such expenditures must be measured by the need to bolster the economy and reduce unemployment. It is understood that ICA would agree to further economic aid to Berlin if warranted by deterioration of Berlin's economic situation. Yet NSC policy statements provide that the economic need is but a part of the justification for the expenditure of U. S. funds in Berlin and the Soviet Zone—that continued expenditure of funds for economic development and political projects in Berlin and the Soviet Zone is justified also (1) to demonstrate continued U. S. interest and support for Berlin and (2) to influence the people of the Soviet Zone and Sector and to exploit the unrivaled propaganda advantages of Berlin.

NSC policies specifically state not only

(a) that the U. S. will support all feasible measures, including limited economic aid, to bolster the morale and economy of the city and to reduce unemployment, but also

(b) that the U. S. will continue to provide funds for special projects designed to influence the people of the Soviet Zone and Sector, such as the food program of the summer of 1953, and

(c) that the U. S. will continue to exploit the unrivaled propaganda advantages of the city.

The appendix to the policy statement elaborates the foregoing points by stating that Berlin will be given a unique position with respect to authorized and appropriated funds. The appendix cites passages in congressional legislation which sanction this policy of special status for Berlin and exempt funds for Berlin from certain restrictions imposed on other economic aid to Germany. (Section 404, PL 665)

The Congressional presentation of the Mutual Security Act of 1955 made special reference to the request for Mutual Security funds to support programs for the benefit of the East Zone population. It states specifically that "... the Western orientation of the people living in the East Zone of Germany is a matter of special concern today" and "... this government must continue to show its solidarity with the Germans on the question of reunification by giving appropriate aid as evidence that the West is not unmindful of the hardships in the East."

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The presentation explained the nature of programs currently being supported by this government, in cooperation with the Federal Republic, and pointed out that although they are essentially for the benefit of the East Zone population, they take advantage of opportunities for action existing in Berlin and West Germany. With respect to programs to be undertaken during FY 1956, it stated:

"While the exact nature of the program will vary as the ways of reaching the people vary, it is contemplated that our assistance will continue to be directed to programs for youth, interzonal travelers, and church organizations."

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